

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 ISO-00 SP-02 USIA-06

AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 AGR-05 OPIC-03 XMB-02 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 PA-01 PRS-01 /102 W

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R 101606Z SEP 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5350

INFO AMEMBASSY ABIDJAN

AMEMBASSY BRASILIA

AMEMBASSY QUITO

AMCONSUL SAO PAULO

AMCONSUL RIO DE JANEIRO

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E.O. 11652: N/A

TAGS: EAGR ETRD

SUBJECT: COFFEE: BRAZIL PURCHASES

REF: STATE 202257

1. ECONOMIC MINISTER MARCELO RAFFAELLI OF BRAZILIAN
EMBASSY CALLED ON EMBOFF SEPTEMBER 8 TO DISCUSS DEVELOP-
MENT OF A TRACKING SYSTEM FOR COFFEE TRADE BETWEEN EX-
PORTING COUNTRIES. WHILE VISIT WAS LENGTHY, TIME DEVOTED
TO THIS PROBLEM WAS RELATIVELY SHORT AND RAFFAELLI'S
APPROACH WAS LOW KEY.

2. RAFFAELLI SAID HE HAD BEEN INSTRUCTED TO OPEN
EXPLORATORY TALKS WITH USREP BUT HAD NO SPECIFIC
INSTRUCTIONS. HE SAID HE HAD INITIALLY THOUGHT US WAS
CONCERNED BY STATISTICAL PROBLEM OF GIVING CREDIT
TOWARD QUOTA DETERMINATION PRESENTED BY TRADE BETWEEN
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PRODUCERS. BUT HAD SINCE CONCLUDED THAT US ACTUALLY

WAS DRIVING AT SOMETHING ELSE. USREP REPLIED HE TOO WITHOUT INSTRUCTIONS BUT FELT COULD STATE US DEEPLY CONCERNED ON TWO COUNTS: (A) ANY MARKETING ACTIVITY PERCEIVED--RIGHTLY OR WRONGLY--AS AN ATTEMPT TO MANIPULATE MARKET, AND (B) THE TECHNICAL, STATISTICAL PROBLEM PRESENTED BY SUCH TRADE.

3. RE (A), RAFFAELLI REPEATED STANDARD ARGUMENT ABOUT NEEDS OF PROCESSING INDUSTRY, BUT AT LATER POINT IN CONVERSATION, NOTED MARKET HAD IN EFFECT BEEN MANIPULATED EARLIER BY BUYERS WHO HAD STOPPED PURCHASES IN JUNE AND HAD ENGAGED IN "PRICE WAR" PRACTICES IN PURCHASING COFFEE CHEAP FROM ECUADOR IN EFFORT FORCE DOWN PRICES.

4. RE (B), RAFFAELLI SAID STATISTICAL PROBLEM COULD BE OVERCOME BY APPLYING CERTIFICATES OF ORIGIN SYSTEM TO TRADE AMONG EXPORTERS AND ARRIVING AT A NET EXPORT FIGURE FOR BRAZIL BY SIMPLY DEDUCTING IMPORTS FROM EXPORTS. RAFFAELLI ADMITTED LEGAL PROBLEM EXISTED IN WORDING OF ARTICLE 30 OF THE AGREEMENT. USREP PROMISED TO PASS ON SUGGESTION, BUT EMPHASIZED HERE AND AGAIN AT END OF CONVERSATION THAT BASIC PROBLEM WAS ONE OF FLOW OF COFFEE TO MARKET AND WHETHER OR NOT THE SPIRIT OF THE AGREEMENT WAS BEING OBSERVED.

5. RAFFAELLI ADMITTED BRAZIL STILL INTERESTED IN BUYING IVORIAN COFFEE, BUT SAID ANGOLAN HAD NONE TO SELL.

ARMSTRONG

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